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CANADA MALTING CO.  
LIMITED



ANNUAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 1969



# CANADA MALTING CO., LIMITED

## *Board of Directors*

DOUGLAS W. AMBRIDGE, C.B.E., B.Sc.

NIGEL B. BAIRD

ERIC S. CLARKE

HARRY F. GRAESSER

W. DOUGLAS HATCH

JOHN P. HEIGHTON

RALPH B. McDONALD

GORDON McMILLAN, Q.C.

GEORGE H. SELLERS

REGINALD J. THOMAS

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## *Officers*

HARRY F. GRAESSER . . . . .	PRESIDENT AND CHIEF EXECUTIVE OFFICER
REGINALD J. THOMAS . . . . .	VICE-PRESIDENT FINANCE AND SECRETARY
STANTON J. BURKETT . . . . .	VICE-PRESIDENT — SALES
WALTER W. COMBER . . . . .	TREASURER

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## *Transfer Agent*

CANADA PERMANENT TRUST COMPANY  
TORONTO, ONTARIO - - MONTREAL, QUEBEC  
CALGARY, ALBERTA

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## *Registrar*

MONTREAL TRUST COMPANY  
TORONTO, ONTARIO - - MONTREAL, QUEBEC  
CALGARY, ALBERTA



REPORT OF THE DIRECTORS TO THE SHAREHOLDERS OF  
**CANADA MALTING CO., LIMITED**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1969

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Your Board of Directors submits herewith the Annual Report of your Company, together with the Financial Statements for the twelve months ended December 31, 1969, and the Report by the Auditors, Messrs. Price Waterhouse & Co.

Net earnings for the year amounted to \$2,082,970.00, and after providing for accrued dividends on the preferred stock to December 31, 1969, are equal to \$2.25 per common share. The corresponding figures for the previous year were \$1,415,065.00 and \$1.50, respectively.

Capital expenditures during the year amounted to \$668,534.00. Your plants and properties have been well maintained and are in good condition.

Total volume of sales for the period under review was the largest in the history of the Company. This was due mainly to the acquisition of the Toronto plant of the Dominion Malting (Ontario) Limited in 1968, but the full benefit was not felt until 1969. Export sales also showed an increase, in spite of severe foreign competition. The larger volume enabled us to operate our plants most efficiently, with a resulting improvement in earnings for the year.

At our previous Annual Meeting we advised that the Company was interested in diversifying into other endeavours which might offer opportunities for growth. We engaged the services of a consulting firm, Price Waterhouse Associates, to conduct a survey of the mushroom industry in Canada. As a result of a favourable report from them, your Directors decided this would be an attractive enterprise for your Company. Our studies indicated that the best way to enter this market would be through a firm which had been long established and successful. Consequently we incorporated a subsidiary company known as Leaver Mushrooms Co. Limited, which has entered into an agreement to acquire the existing mushroom business of Geo. & L. H. Leaver, one of the largest producers in Canada. On closing of the agreement, which we expect will be before the end of March, the vendors will acquire 40% of the issued share capital of the new company and Canada Malting Co., Limited will retain the remaining 60%. Expansion of the existing production facilities will be undertaken immediately, and we expect this operation will make a significant contribution to your Company's earnings in the future.

It is difficult to forecast prospects for 1970. Increased costs of labour, materials and services will result in narrower profit margins, and in the export markets we are faced with continued competition from foreign countries whose Governments are offering heavy subsidies on exports of malt.

Mr. Eric S. Clarke, your Chairman and Chief Executive Officer for many years, retired at the end of the year, but we are pleased to inform you that he has agreed to be nominated again for election to the Board of Directors. His experience and judgment over the years have been of inestimable value in building a sound and prosperous Company, and it is fitting at this time to express to him the appreciation of directors, shareholders and employees for his great contribution.

Once again, on behalf of the Board, I would like to thank all our employees for their continued loyalty and effort during the past year.

On behalf of the Directors,

HARRY F. GRAESSER,  
President.

# CANADA MALTING CO., LIMITED

## STATEMENT OF EARNINGS

	Year ended December 31	
	<u>1969</u>	<u>1968</u>
Net Sales .....	\$36,709,794	\$32,956,110
Costs and expenses:		
Cost of products sold and all expenses except items shown below .....	30,975,326	28,748,803
Provision for depreciation .....	<u>1,115,680</u>	<u>1,146,473</u>
	<u>32,091,006</u>	<u>29,895,276</u>
Earnings from operations .....	4,618,788	3,060,834
Investment and other income (Note 4) .....	<u>71,182</u>	<u>116,231</u>
	4,689,970	3,177,065
Provision for income taxes (Note 1) .....	<u>2,607,000</u>	<u>1,762,000</u>
Net earnings for the year .....	<u>\$ 2,082,970</u>	<u>\$ 1,415,065</u>

## STATEMENT OF EARNINGS EMPLOYED IN THE BUSINESS

	Year ended December 31	
	<u>1969</u>	<u>1968</u>
Balance at beginning of year .....	\$ 7,459,214	\$ 9,877,654
ADD:		
Net earnings for the year .....	2,082,970	1,415,065
Gain on sale of securities .....	—	1,340,008
Excess of par value over cost of Series B preferred shares purchased for cancellation .....	<u>16,733</u>	<u>9,815</u>
	9,558,917	12,642,542
DEDUCT:		
Dividends paid on Series B preferred shares for the 12 months ended March 15, 1969 .....	146,596	—
Dividends paid on common shares —		
Cash dividends .....	863,888	863,888
Stock dividends —		
Series A preferred shares .....	—	1,727,776
Series B preferred shares .....	<u>—</u>	<u>2,591,664</u>
	<u>1,010,484</u>	<u>5,183,328</u>
Balance at end of year (Note 3) .....	<u>\$ 8,548,433</u>	<u>\$ 7,459,214</u>



## CANADA MALTI

BALAN

## A S S E T S

	December 31	
	<u>1969</u>	<u>1968</u>
CURRENT ASSETS:		
Cash .....	\$ 2,400	\$ 2,400
Accounts receivable, less allowance for doubtful accounts .....	4,124,144	3,362,131
Inventories:		
Malt, barley, etc., valued at the lower of approximate cost or market .....	10,427,137	10,863,585
Operating supplies, at not in excess of cost .....	316,635	312,418
Prepaid expenses .....	158,388	170,353
Deposit under agreement and accrued interest .....	46,027	51,736
	<u>15,074,731</u>	<u>14,762,623</u>
OTHER ASSETS:		
Investment in shares of Hugh Baird & Sons, Limited (50% owned), at cost .....	2,499,484	2,499,484
Grain Exchange Seats and Memberships in Clearing Associations, less amounts written off .....	<u>1</u>	<u>1</u>
	2,499,485	2,499,485
FIXED ASSETS, at depreciated replacement values on February 28, 1955 as reported by Canadian Appraisal Company Limited, plus subsequent additions at cost:		
Buildings, plant and equipment .....	30,716,604	30,062,623
Less — Accumulated depreciation .....	<u>14,110,169</u>	<u>13,009,042</u>
	16,606,435	17,053,581
Land .....	<u>1,556,034</u>	<u>1,556,034</u>
	18,162,469	18,609,615
	<u>\$35,736,685</u>	<u>\$35,871,723</u>

CO., LIMITED  
SHEET

LIABILITIES

	December 31	
	1969	1968
<b>CURRENT LIABILITIES:</b>		
Bank advances .....	\$ 1,923,206	\$ 3,635,114
Accounts payable and accrued .....	1,550,470	1,432,461
Taxes on income .....	1,051,101	439,279
	<u>4,524,777</u>	<u>5,506,854</u>
 DEFERRED INCOME TAXES (Note 1) .....	 458,000	 504,650
 <b>SHAREHOLDERS' EQUITY:</b>		
Capital stock:		
Authorized —		
10,000,000 preferred shares of a par value of \$1 each, issuable in series		
1,200,000 common shares without nominal or par value		
 Issued and outstanding —		
2,277,134 6% cumulative redeemable Series B preferred shares (Note 2) .....	2,277,134	2,472,664
863,888 common shares .....	5,099,665	5,099,665
Earnings employed in the business (Note 3) .....	8,548,433	7,459,214
	<u>15,925,232</u>	<u>15,031,543</u>
 Excess of appraised value of fixed assets over depreciated book value on February 28, 1955 .....	 14,828,676	 14,828,676
	<u>30,753,908</u>	<u>29,860,219</u>
 Approved on behalf of the Board:		
HARRY F. GRAESSER, <i>Director</i>		
REGINALD J. THOMAS, <i>Director</i>		
	<u>35,736,685</u>	<u>35,871,723</u>



# CANADA MALTING CO., LIMITED

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year ended December 31	
	<u>1969</u>	<u>1968</u>
Source of funds:		
Net earnings .....	\$ 2,082,970	\$ 1,415,065
Charges (credits) against earnings not affecting cash outlay —		
Provision for depreciation .....	1,115,680	1,146,473
Decrease in deferred income taxes .....	(46,650)	(47,000)
Funds provided from operations .....	3,152,000	2,514,538
Advance repaid by Hugh Baird & Sons, Limited .....	—	600,000
Gain on sale of securities .....	—	1,340,008
Special refundable tax .....	—	106,605
	<u>3,152,000</u>	<u>4,561,151</u>
Application of funds:		
Expenditures for fixed assets (net) .....	668,534	3,860,955
Cash dividends paid —		
Series B preferred shares .....	146,596	—
Common shares .....	863,888	863,888
Redemption of Series A preferred shares .....	—	1,727,776
Cost of Series B preferred shares purchased for cancellation (Note 2) .....	178,797	109,185
	<u>1,857,815</u>	<u>6,561,804</u>
Resulting in an increase (decrease) in working capital of .....	1,294,185	(2,000,653)
Working capital at beginning of year .....	<u>9,255,769</u>	<u>11,256,422</u>
Working capital at end of year .....	<u>\$10,549,954</u>	<u>\$ 9,255,769</u>

## FIVE YEAR EARNINGS

	<u>Earnings before Taxes</u>	<u>Provision for Income Taxes</u>	<u>Net Earnings</u>	<u>Earnings per Common Share</u>
1965	\$2,845,004	\$1,475,000	\$1,370,044	\$1.59
1966	3,371,109	1,765,000	1,606,109	1.86
1967	3,176,342	1,671,000	1,505,342	1.74
1968	3,177,065	1,762,000	1,415,065	1.50*
1969	4,689,970	2,607,000	2,082,970	2.25*

\*After providing for dividends on preferred shares.



# CANADA MALTING CO., LIMITED

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1969

1. Depreciation recorded in the accounts for 1969 exceeds the amount deductible for tax purposes. The resulting income tax of \$46,650 in excess of the 1969 provision has been charged against the deferred income taxes set aside for that purpose in prior years.
2. During 1969, 195,530 Series B preferred shares were purchased for a total cost of \$178,797 and cancelled, leaving a balance of 2,277,134 shares issued and outstanding at December 31, 1969. Dividends on the Series B preferred shares are payable annually; such a dividend has been declared to shareholders of record at February 14, 1970 and is payable March 14, 1970.
3. Earnings employed in the business at December 31, 1969 include \$2,042,306 designated as capital surplus under Section 61 of the Canada Corporations Act, arising from the redemption and cancellation of 1,727,776 Series A preferred shares in 1968 and the purchase and cancellation of 314,530 Series B preferred shares during 1968 and 1969.
4. Investment and other income includes dividends from Hugh Baird & Sons, Limited of \$70,948 (1968 - \$101,147).
5. Total remuneration of directors and senior officers amounted to \$214,964 (1968 - \$232,569), including remuneration of salaried directors and directors' fees of \$158,225 (1968 - \$159,711).
6. Canada Malting Co., Limited has formed a new company, Leaver Mushrooms Co. Limited, for the purpose of acquiring the existing mushroom businesses of the firm of Geo. & L. H. Leaver and its affiliate, The Leaver Mushrooms Limited. On closing of the acquisitions, expected to take place before the end of March 1970, the vendors will acquire 40% of the issued share capital of the new company and Canada Malting Co., Limited will retain the remaining 60%.

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## AUDITORS' REPORT

To the Shareholders of  
Canada Malting Co., Limited:

We have examined the balance sheet of Canada Malting Co., Limited as at December 31, 1969 and the statements of earnings, earnings employed in the business and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1969 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.  
Chartered Accountants.

Toronto, Ontario  
March 2, 1970

# CANADA MALTING CO., LIMITED

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## *Malthouses and Elevators*

Montreal, Que.

Winnipeg, Man.

Toronto, Ont.

Calgary, Alta.

Port Arthur, Ont.

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## *Head Office*

TORONTO - ONTARIO





